

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Beaverton Township	County Gladwin
Audit Date	Opinion Date 5/19/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Burnside & Lang, P.C.			
Street Address 5915 Eastman Ave.	City Midland	State MI	ZIP 48640
Accountant Signature			

TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended March 31, 2005

TOWNSHIP OF BEAVERTON
BOARD OF TRUSTEES

Jeff Roehrs

Supervisor

Madalyn Hubble

Clerk

Luann Domako

Treasurer

Jon Sherwood

Trustee

Terry Grove

Trustee

TOWNSHIP POPULATION–2000
1,815

STATE EQUALIZED VALUE–2004
\$44,366,200

STATE TAXABLE VALUE–2004
\$35,866,901

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2005**

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Independent Auditors' Report

Members of The Township
Board of Trustees
Township of Beaverton
Gladwin County, Michigan

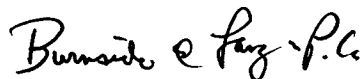
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Beaverton, Gladwin County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Beaverton, Gladwin County, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan
May 19, 2005

Exhibit 1

TOWNSHIP OF BEAVERTON
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

ASSETS

Cash and cash equivalents	\$ 536,116
Taxes receivable, net	20,180
Due from other township funds	1,671
Prepaid items	134
Capital assets:	
Land	12,257
Buildings and improvements, net	35,899
Township equipment, net	41
Total assets	<u>606,298</u>

LIABILITIES

Deferred revenue	51,155
Total liabilities	<u>51,155</u>

NET ASSETS

Invested in capital assets, net of related debt	48,197
Restricted for:	
Unrestricted	506,946
Total net assets	<u><u>\$ 555,143</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2005

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 13,872	\$ -	\$ -	\$ -	\$ (13,872)
Supervisor	6,743	-	-	-	(6,743)
Treasurer	13,733	-	-	-	(13,733)
Assessing	15,853	-	-	-	(15,853)
Clerk	9,868	-	-	-	(9,868)
Elections	1,169	-	-	-	(1,169)
Board of review	772	-	-	-	(772)
Buildings and grounds	9,390	-	-	-	(9,390)
All other general government	2,812	1,476	-	-	(1,336)
Fire protection	44,284	-	-	-	(44,284)
Building inspection and regulation activities	1,500	-	-	-	(1,500)
Roads and drains	192,980	-	-	-	(192,980)
Street lights	2,093	-	-	-	(2,093)
Sanitation, solid waste	60,587	-	-	-	(60,587)
Total governmental activities	\$ 375,656	\$ 1,476	\$ -	\$ -	(374,180)
General revenues:					
Property taxes, levied for general purposes					107,596
State revenue sharing					131,710
Interest earnings					5,397
Rents and royalties					905
Special assessments					50,640
Miscellaneous					10,225
Total general revenues					306,473
Change in net assets					(67,707)
Net assets-beginning					622,850
Net assets-ending					\$ 555,143

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2005

	General Fund	Sanitation Fund	Total
ASSETS			
Cash and cash equivalents	\$ 454,519	\$ 81,597	\$ 536,116
Taxes receivable, net	11,205	8,975	20,180
Due from other township funds	1,671	-	1,671
Prepaid items	134	-	134
Total assets	<u>\$ 467,529</u>	<u>\$ 90,572</u>	<u>\$ 558,101</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	\$ -	\$ 51,155	\$ 51,155
Total liabilities	<u>-</u>	<u>51,155</u>	<u>51,155</u>
Fund balances:			
Reserved for:			
Unreserved	467,529	39,417	506,946
Total fund balances	<u>467,529</u>	<u>39,417</u>	<u>506,946</u>
Total liabilities and fund balances	<u>\$ 467,529</u>	<u>\$ 90,572</u>	<u>\$ 558,101</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2005

Total fund balances for governmental funds (Exhibit 3)	\$	506,946
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	12,257	
Buildings and improvements, net of \$29,372 accumulated depreciation		35,899	
Township equipment, net of \$19,599 accumulated depreciation		41	
Total capital assets			48,197

Total net assets of governmental activities (Exhibit 3)	\$	555,143
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended March 31, 2005

	General Fund	Sanitation Fund	Total
REVENUES			
Property taxes	\$ 107,596	\$ -	\$ 107,596
State aid	131,710	-	131,710
Charges for services	1,476	-	1,476
Interest and dividends	4,801	596	5,397
Rents and royalties	905	-	905
Special assessments	-	50,640	50,640
Miscellaneous	4,823	5,402	10,225
Total revenues	251,311	56,638	307,949
EXPENDITURES			
General government	70,710	-	70,710
Public safety	45,784	-	45,784
Public works	195,073	60,587	255,660
Capital outlay	848	-	848
Total expenditures	312,415	60,587	373,002
Net change in fund balances	(61,104)	(3,949)	(65,053)
Fund balances-beginning	528,633	43,366	571,999
Fund balances-ending	\$ 467,529	\$ 39,417	\$ 506,946

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF BEAVERTON
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2005**

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (65,053)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,502) exceeded capital outlay (\$848) in the current period.

(2,654)

Change in net assets of governmental activities (Exhibit 2)	<u>\$ (67,707)</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAVERTON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
March 31, 2005

ASSETS

Cash and cash equivalents	\$ 1,671
Total assets	<u>1,671</u>

LIABILITIES

Due to other funds	<u>1,671</u>
Total liabilities	<u>1,671</u>

NET ASSETS

<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units.

Jointly Governed Organization—The Township of Beaverton, Tobacco Township and the City of Beaverton formed the Beaverton Area Fire Protection District to provide fire protection to the entire area of the three governmental entities. The District is financed each year on a proportional basis for each participating governmental unit based upon their respective state equalized valuation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Gladwin County, which advances the Township 100% for the delinquent taxes.

The 2004 taxable valuation of the Township totaled \$35.8 million, on which ad valorem taxes were levied. This amount is recognized in the General Fund as current tax revenue totaling \$107,596.

The government reports the following major funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

The Garbage Collection Fund accounts for providing garbage and rubbish collection financed by an annual special assessment.

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	25 to 40 years
Building improvements	20 to 40 years
Furniture and equipment	5 to 10 years

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund—All other general government	\$ 750	\$ 1,967

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 536,116	\$ 1,671	\$ 537,787

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificate of deposit)	\$ 537,787
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The bank balance of the government deposits is \$537,787, of which \$181,597 is covered by federal deposit insurance.

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 12,257	\$ -	\$ -	\$ 12,257
Capital Assets Being Depreciated				
Buildings and improvements	65,271	-	-	65,271
Furniture and equipment	18,792	848	-	19,640
Subtotal	84,063	848	-	84,911
Less Accumulated Depreciation for				
Buildings and improvements	26,715	2,657	-	29,372
Furniture and equipment	18,754	845	-	19,599
Subtotal	45,469	3,502	-	48,971
Net Capital Assets Being Depreciated	38,594	(2,654)	-	35,940
Governmental Activities Capital Assets-Net of Depreciation	\$ 50,851	\$ (2,654)	\$ -	\$ 48,197

**TOWNSHIP OF BEAVERTON
GLADWIN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the Township as follows:

Buildings and grounds	\$ 2,657
All other general government	845
	<hr/>
	\$ 3,502
	<hr/>

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	<hr/> \$ 1,671 <hr/>	Tax Collection	<hr/> \$ 1,671 <hr/>

NOTE 6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

TOWNSHIP OF BEAVERTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 94,554	\$ 94,554	\$ 107,596	\$ 13,042
State aid	136,000	136,000	131,710	(4,290)
Charges for services	1,476	1,476	1,476	-
Interest and dividends	900	900	4,801	3,901
Rents and royalties	900	900	905	5
Miscellaneous	4,000	4,000	4,823	823
Total revenues	237,830	237,830	251,311	13,481
EXPENDITURES				
General Government:				
Towship board	\$ 20,000	\$ 20,000	\$ 13,872	\$ 6,128
Supervisor	7,500	7,500	6,743	757
Treasurer	14,234	14,234	13,733	501
Assessing	15,853	15,853	15,853	-
Clerk	9,868	9,868	9,868	-
Elections	1,500	1,500	1,169	331
Board of review	772	772	772	-
Buildings and grounds	6,733	6,733	6,733	-
All other general government	750	750	1,967	(1,217)
Public Safety:				
Fire protection	44,284	44,284	44,284	-
Building inspection and regulation activities	1,500	1,500	1,500	-
Public Works:				
Roads and drains	195,000	195,000	192,980	2,020
Street lights	2,093	2,093	2,093	-
Capital Outlay:				
General government	5,000	5,000	848	4,152
Total expenditures	325,087	325,087	312,415	12,672
Net change in fund balances	(87,257)	(87,257)	(61,104)	26,153
Fund balances-beginning	528,633	528,633	528,633	-
Fund balances-ending	\$ 441,376	\$ 441,376	\$ 467,529	\$ 26,153

The accompanying notes are an integral part of these financial statements.

May 19, 2005

Members of the Board
Of Trustees
Township of Beaverton
Gladwin County, MI

Dear Board Members:

In planning and performing our audit of the financial statements of the Township of Beaverton, Gladwin County, Michigan (the "Township"), for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

REPORTABLE CONDITIONS

Overspending Budgeted Appropriations

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated in the General Fund.

We recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the Township's governmental type funds. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Board of Trustees and documented in the Board's meeting minutes. This will help prevent the Township from incurring expenditures in excess of appropriations.

Budget Format

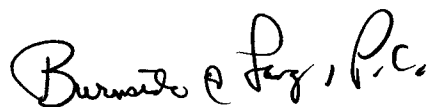
The State of Michigan issued a Uniform Budget Manual in August 2001 and Numbered Letter 2001-2, Budget Requirements, in December 2001. The two documents describe the format to be followed in the presentation and adoption of a budget for a local governmental unit. The Township's budget for the General Fund and Garbage Collection Fund do not conform to the prescribed format. Therefore, we recommend the personnel responsible for preparing the budget study the two documents noted above and follow the prescribed format for all future budgets of the Township.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the March 31, 2005, financial statements, and this report does not affect our report on those financial statements dated May 19, 2005. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Board of Trustees, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

BURNSIDE & LANG, P.C.